

# ARC Ltd.

## Footprint & Activities

2nd Rural Financial Inclusion Working Group Session!

“Exploring the Role of Agricultural Insurance in Inclusive Rural Finance”



23

## Countries Participating

284

## Policies Issued

\$255 million

gross written premium

\$242 million

in claim payouts

\$1.5 billion

in coverage

6

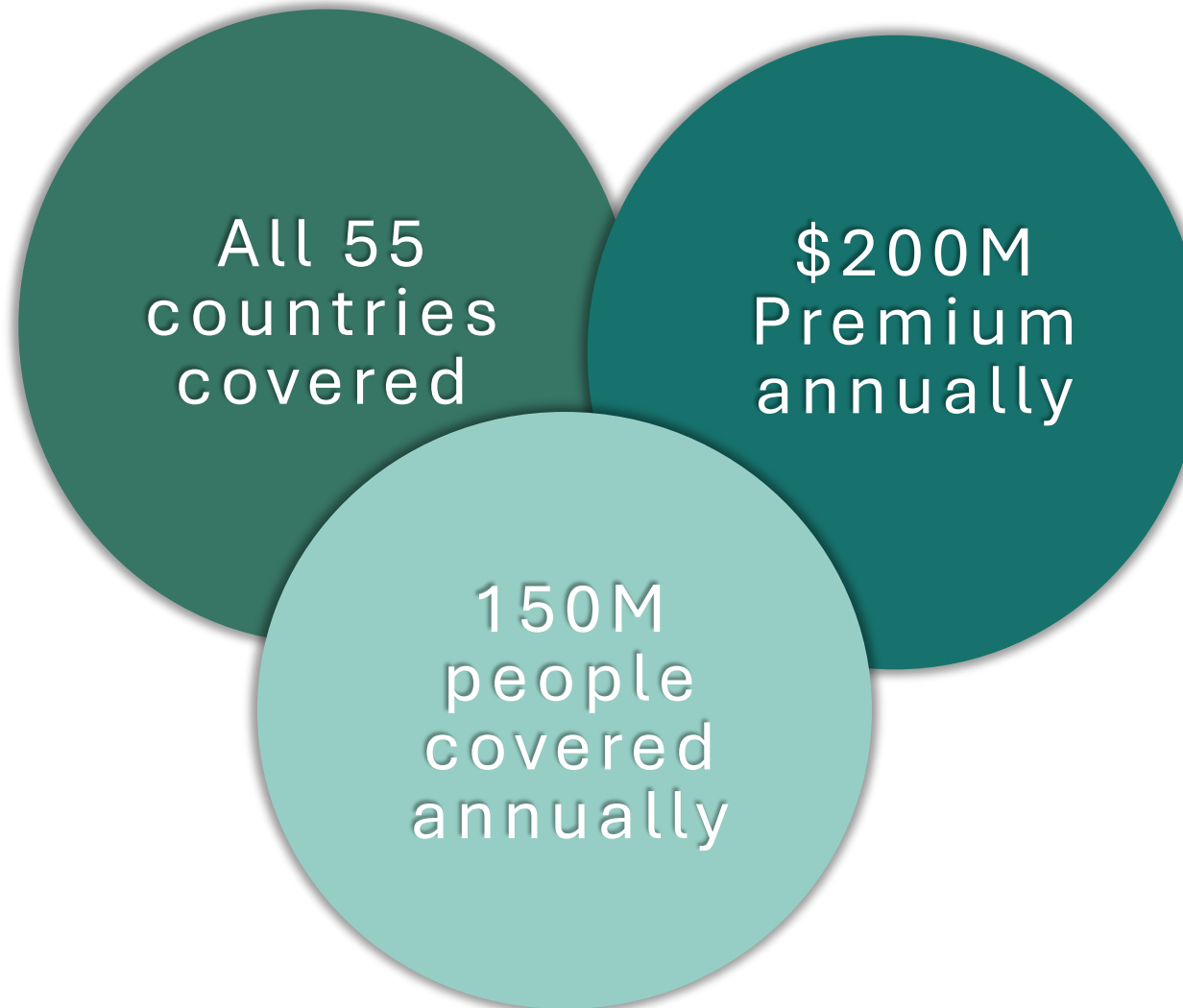
humanitarian partners

**\$132 million**  
smart premium subsidies



# Activities

Our ambition



# Activities

Accelerates Crisis Response : Payouts Arrive Before Food Shortages Escalate



- Fast payouts within **10 days** vs. traditional aid that takes 18 months
- Maintains an **A-credit rating** for financial stability.



# Activities

Strengthens Government & partners Response Coordination

## ARC Innovative Solutions

1. Climate risk assessment and expertise in Disaster Risk Management
2. Parametric Insurance and Reinsurance
3. Contingency planning and funding
4. Strategic partnerships for premium financing solutions
5. Capacity Building

★ No other player combines **sovereign-scale reach, speed, and affordability** like ARC Ltd!

## ARC is Not Just an Insurance Provider!

- **African-Led, African-Owned:** Unlike international insurers, we are built for Africa's risk profile.
- **Pre-Arranged Financing:** Funds are available before disasters happen.
- **Sovereign-Level Reach + Community-Level Impact:**
- **Technology-Driven:** Machine-learning models predict risk with unmatched accuracy.
- **High ESG Score & A-Credit Rating:** Stronger than most African insurers.





## Côte d'Ivoire

**Challenge:** Farmers losing livelihoods due to climate shocks.

**Solution:** Parametric crop insurance, bundled with loans and market access.

**Results:**

- 5,111 farmers covered in 2023 → 44,000 in 2024 → 125,000 by 2025
- Enabled farmers to secure credit & avoid total losses.

Backed by World Bank & Swiss Development Cooperation

## Djibouti

**Challenge:** Djibouti faced both drought & flood risks, threatening its economy and food security.

**Solution:** A five-year multi-peril insurance policy, covering extreme rainfall and droughts, providing financial stability.

**Results:**

- **First African** country with a **multi-year, multi-peril disaster risk policy**.
- \$2M in backing from the World Bank's Global Risk Financing Facility.
- Immediate liquidity for disaster response, **reducing reliance** on slow emergency aid.



# Activities

Offers parametric solutions



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Offers parametric solutions

## Drought

- **Peril:** Lack of rainfall required by crops – Drought index for Crops (WRSI) + Drought index for Rangeland (NDVI).
- **Objective:** Estimate the drought response cost (MDRC) for the Governments focusing on the Drought impact on crop and livestock farmers.
- **Index structure:** Parametric Modelled loss based on ARC's own drought model. We pay at the end of the season.
- **Model detail:** Uses a WRSI as the basis. Matches water needs per crop type, considering rainfall, evapotranspiration, % effective rainfall, soil water holding capacity.

## Tropical Cyclone

- **Peril:** Wind speed and storm surge (in future to incorporate excess rainfall).
- **Objective:** Estimate the TC impact for the country, based on the number of people affected and the economic damage incurred.
- **Index structure:** Parametric Modelled loss based on Kinetic Analysis Corporation (KAC) model. Payout made after each event.
- **Model detail:** The model is run following any storm that makes landfall or closely passes the insured country and payout triggers based on storm track and wind speed recoded by JTWC.

## Riverine Flooding

- **Peril:** Riverine / Fluvial flood – national rivers (excluding Lakes).
- **Objective:** Estimate the flood impact for the country based on the number of people affected and the economic damage incurred.
- **Index structure:** Parametric Modelled loss based on JBA Global flood Model/ Flood foresight Pilot countries: Malawi, Mozambique, Madagascar, Togo, CIV, Ghana
- **Model detail:** (historical events up to 2010, so historical event modelling limited to then). New reanalysis dataset using GLOFAS is being worked on by JBA, to quantify the severity of river floods between 2011-2024.

## Outbreaks & Epidemics

- **Peril:** the covered pathogens include the reported number of confirmed cases of Filovirus (including Ebola and Marburg) and Meningitis.
- Pathogens to be insured were selected based on high severity, low frequency, low predictability;
- **Index Structure:** The reporting source is World Health Organization, which reports the number of people affected and we use this simple parametric trigger mechanism to ensure early and rapid disbursement;
- **Objective:** Ensure funds are triggered early before international development partners can provide disaster aid to affected countries







ARC Ltd. and One Acre Fund are forming a partnership to create 'One Acre Fund Re'.



One Acre Fund is a leading microfinance bank lending to small holder farmers in Africa

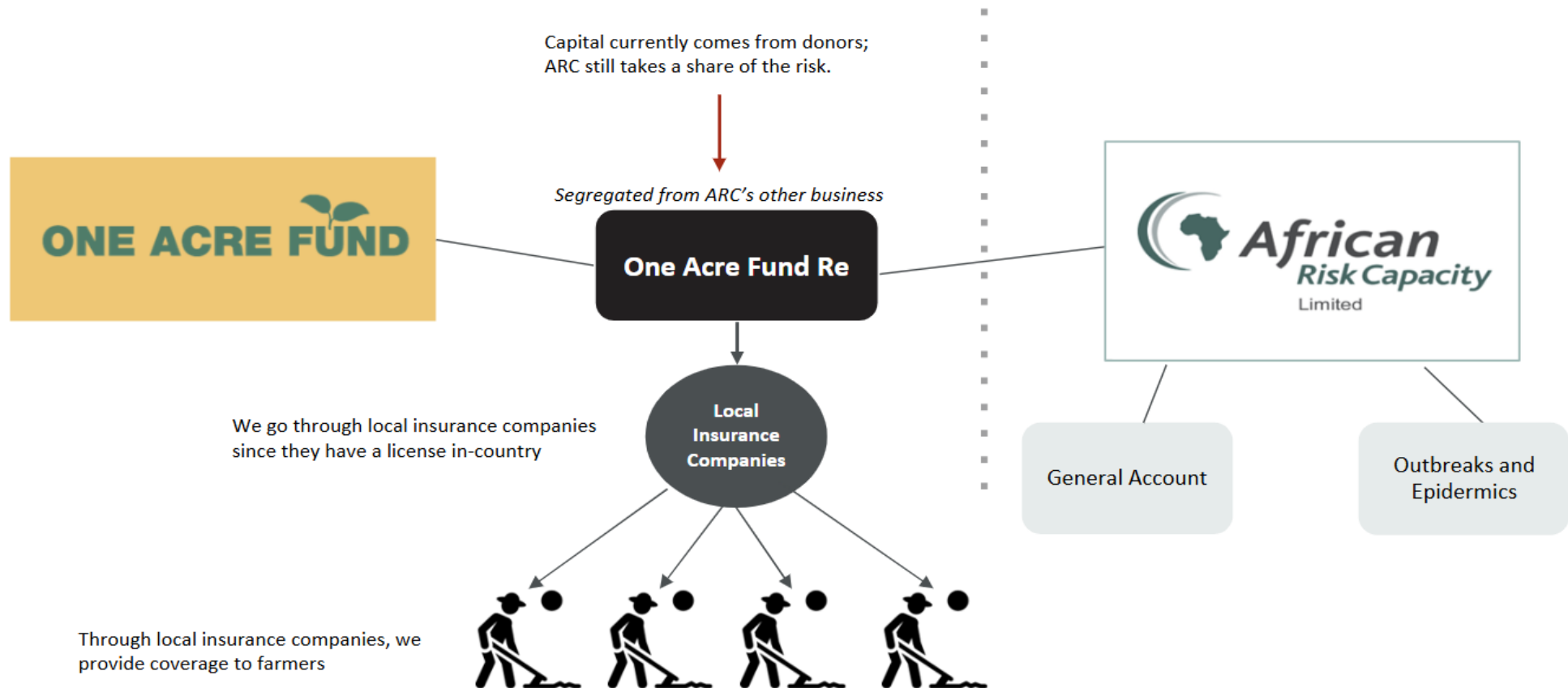


One Acre Fund Re will act as a reinsurer for One Acre Fund's insurance products.

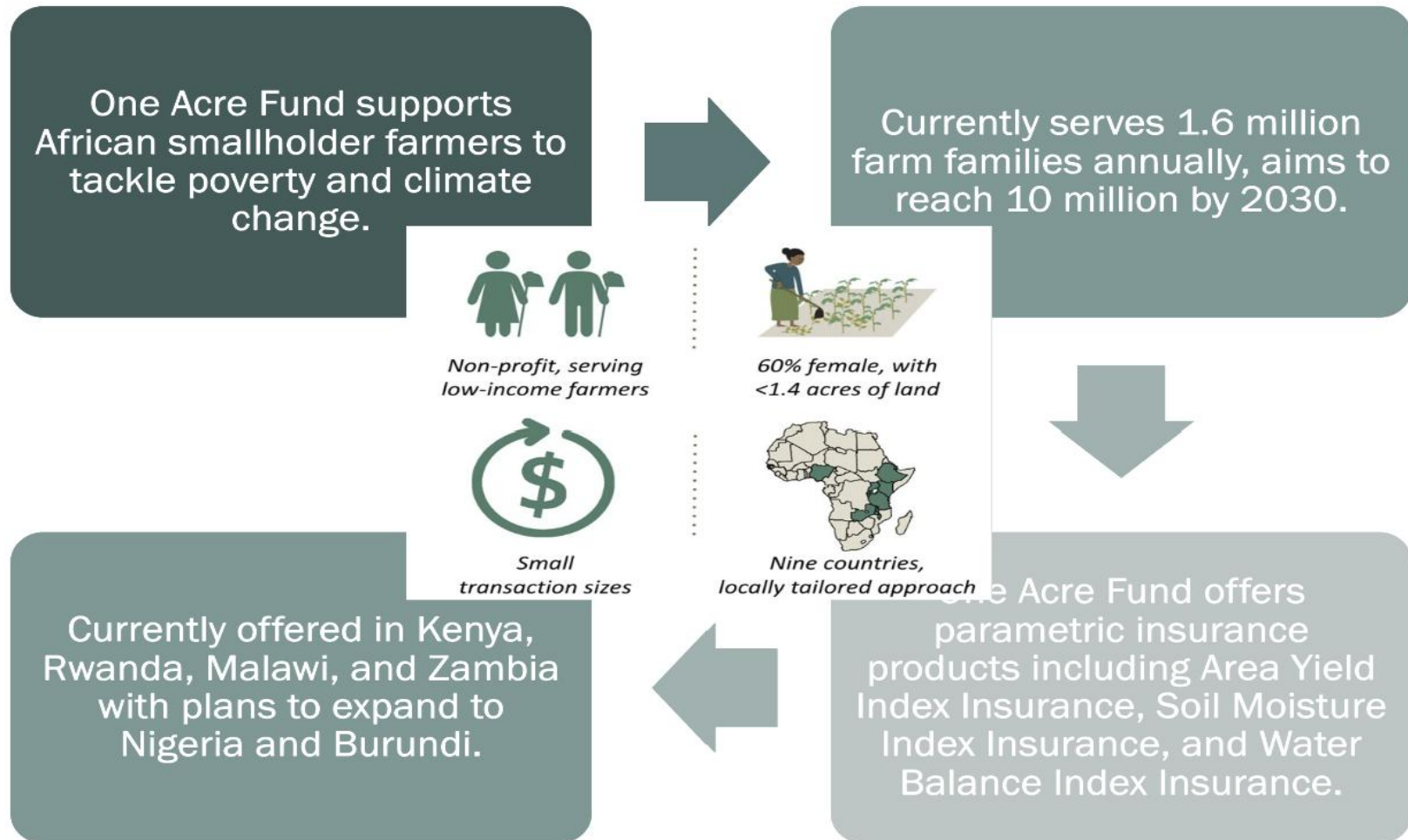
## Case Study One Acre Fund Offers parametric solutions

Partnership Overview

# How does One Acre Fund Re work institutionally ?



## Introducing One Acre Fund



## Introducing One Acre Fund

### The Challenge

One Acre Fund are one of the largest, cheapest, and most successful agricultural insurance aggregators in East Africa. Though they have decreased premiums and made ag insurance more efficient for smallholders, they are unable to solve for the following barriers in the African agri-insurance market:

#### Value

Farmers cannot currently afford insurance products that confer resilience.

#### Structure

The structure of the insurance market are is aligned with farmers' interests.

#### Accuracy

Basis risk and timely payouts

### The Solution

To solve these challenges, One Acre Fund will establish and operate their own climate risk & resilience reinsurance fund

**“One Acre Fund Re” will act as a reinsurer that focuses on the needs of smallholder farmers; profits are used to increase impact and decrease climate risk.**

#### Why:

- They have better control and flexibility over their portfolio
- As the leading reinsurer and client working with local insurance companies, they have more decision-making power over pricing
- Payments will be deployed more quickly

# PACAN: An innovative approach and solution

To **strengthen the resilience** of UEMOA member countries to climatic and health hazards, the BOAD, with the support of KfW, has worked to extend the range of products offered to its customers and launched the "**Loans Adapted to Natural Disasters (PACAN)**" program.



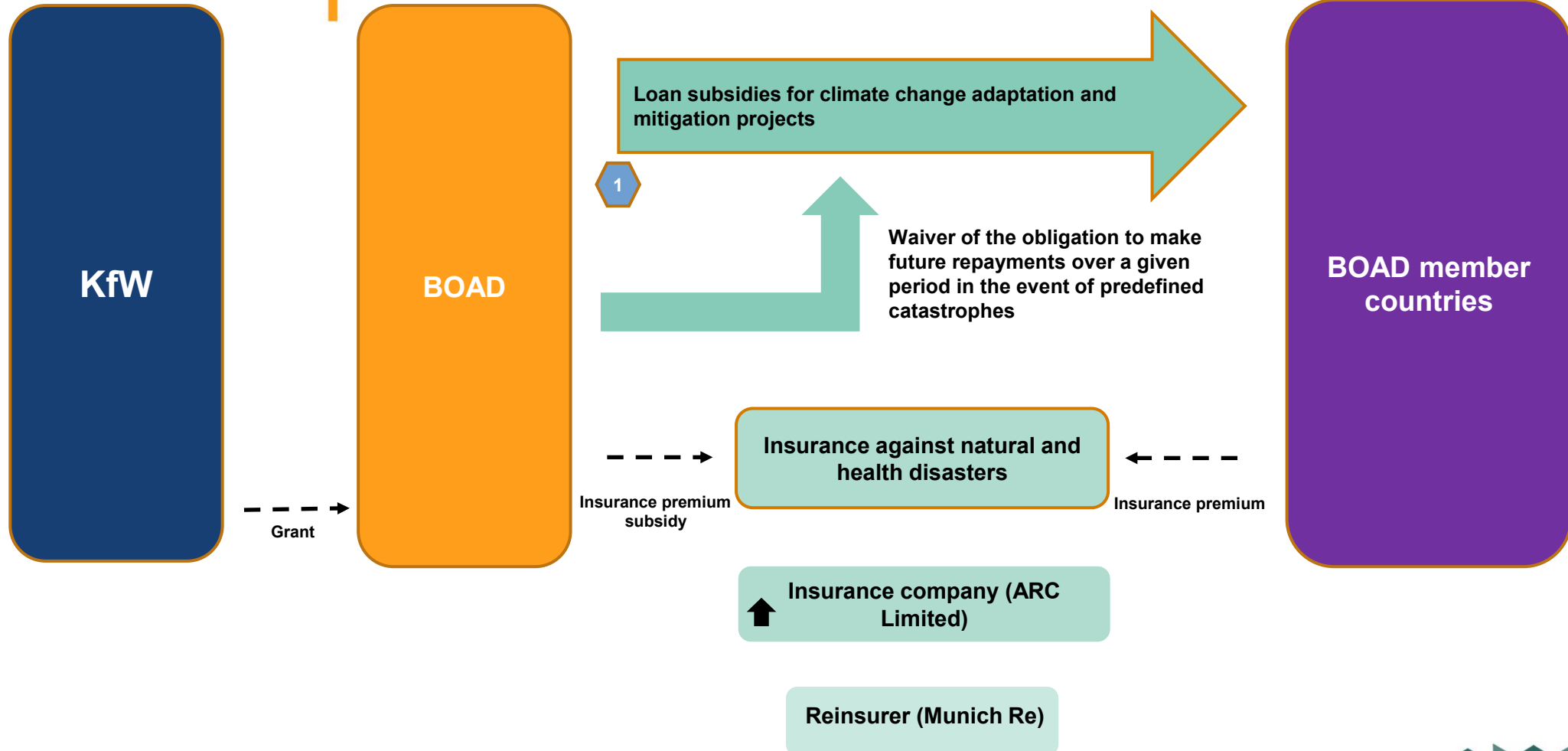
## PACAN: Combining loans with a parametric insurance mechanism

- ☐ Loan subsidies for investments to protect against and adapt to climate risks
- ☐ Subsidy of parametric insurance to cover debt servicing in the event of a climatic or health event triggering debt repayment.

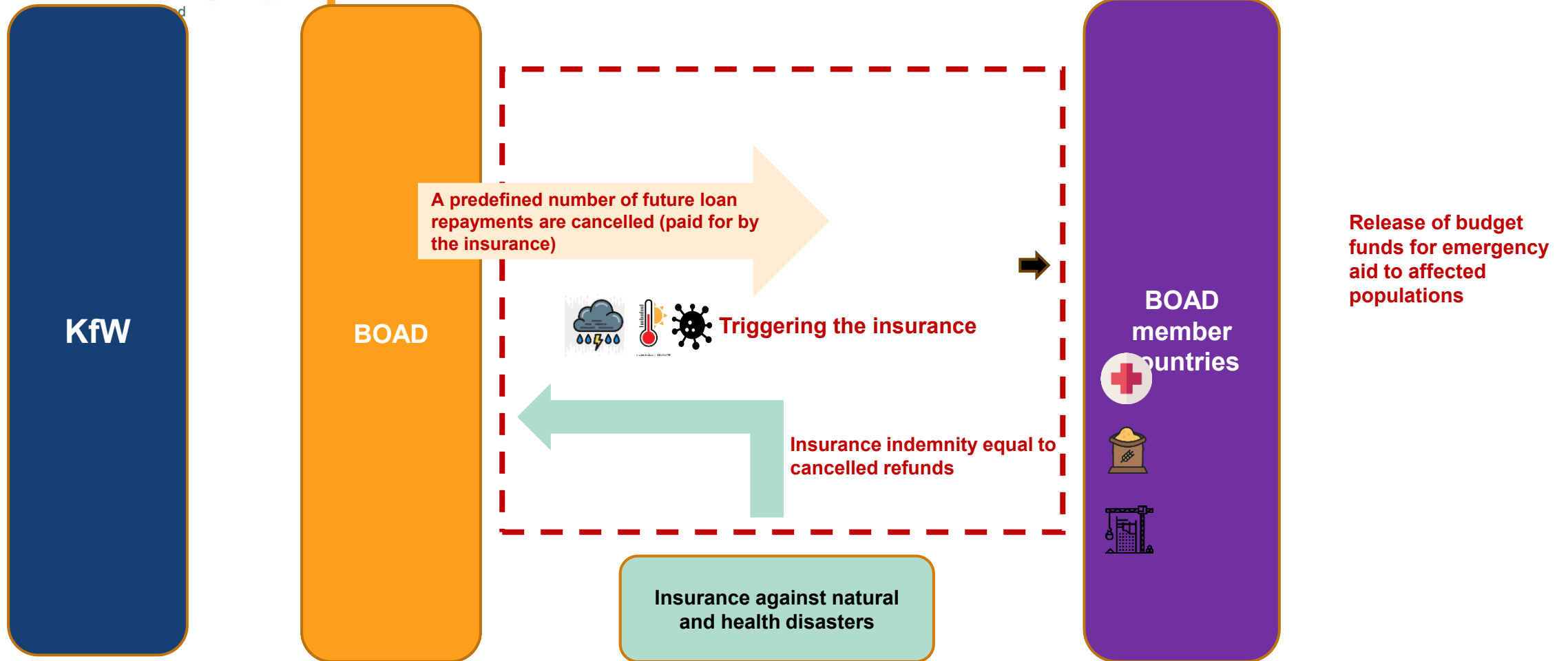




# The Structure



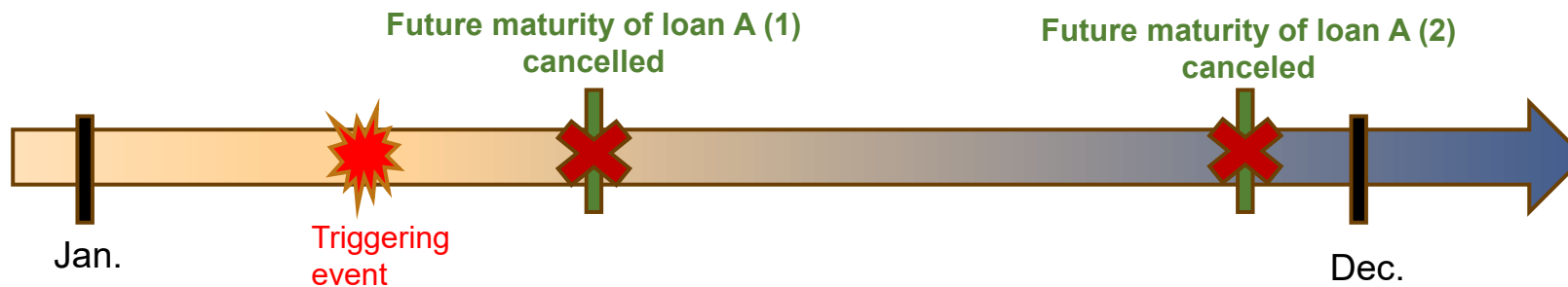
# The Trigger Mechanism



# Amount of coverage

- If triggered, **up to 2 future PACAN loan payments will be covered** (interest and principal) by the insurance:
  - Distinction between medium-intensity disasters (1 timeframe covered) and severe disasters (2 timeframes covered) for drought and precipitation.
  - Only one future date covered in the event of an epidemic

## Fictitious example for a PACAN A loan:



# PACAN: Duration of coverage

- **Annual coverage**
  - Allows annual updating of loan portfolio (new loans, drawdowns, repayments, etc.)
  - Flexible coverage
- Renewals must take place outside the risk season

PACAN cover renewal window

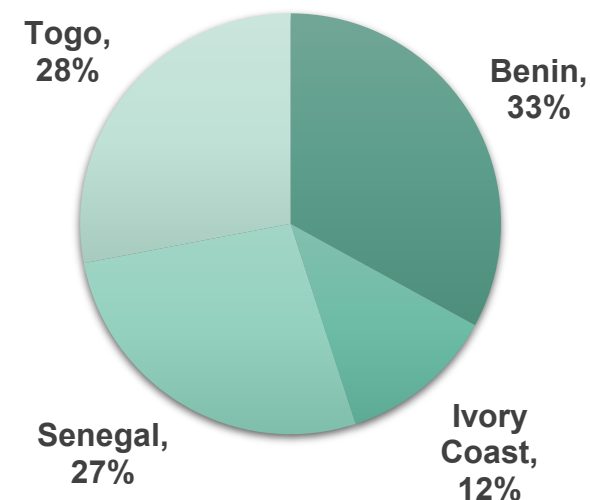


## Launch of the pilot phase

- **August 2024:** Launch of a two-year pilot phase with 4 pilot countries (Benin, Côte d'Ivoire, Senegal and Togo).
- Annual coverage (renewal in March 2025 for the 4 countries)
- Loan portfolio totaling 402.9 million euros (of which amount disbursed in August 2024: 242.8 million euros)
- Maximum loan portfolio repayments over the period: EUR 23,754,546.77 (amount covered by insurance)

### PACAN Loan Portfolio

(August 2024)



**All WUEMU countries (8) will be covered in 2025**





# Triggering PACAN coverage in Togo

- Triggering in Togo on October 13, 2024 due to heavy rainfall in some parts of the country
- Severe disaster: two future maturities for each PACAN loan between BOAD and Togo have been cancelled as follows:

Future loan repayment dates for Togo	Amount of reimbursements cancelled
January 31, 2025	EUR 274,398
February 28, 2025	EUR 200,800
March 31, 2025	EUR 149,995
April 30, 2025	EUR 2,788,249
July 31, 2025	EUR 271,117
August 31, 2025	EUR 199,938
September 30, 2025	EUR 150,819
October 31, 2025	EUR 2,589,024

- Total amount of paid-up funds: **EUR 6,624,340**



# THANK YOU

